



2009 Annual Report

Fire Districts NY Group

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April 2010



Daniel F. McNeil

Dear Policyholders,

I am pleased to announce that 2009 was a very good year for Fire Districts of New York Mutual Insurance Company (FDM) and its subsidiaries. While challenging, we are pleased that initiatives taken in recent years have begun to bear favorable results.

Our Policyholders Surplus now exceeds \$10.5 million and represents a 15.5% increase over the previous year. Policyholders Surplus is generally referred to as the “net worth” of an insurance company.

FDM reported a combined ratio of 104.7 for the year which represents an improvement of almost two (2) percentage points. This was accomplished in a very demanding underwriting environment and we are all quite proud of this achievement.

The investment approach employed by the company has always been conservative and remains so today. Our investments are comprised primarily of corporate bonds diversified among subsectors, U.S. government bonds, government agency securities and structured securities. While returns are at historically low levels, it is our belief that the conservative approach is still the prudent choice.

FDM continues to work aggressively with all of our policyholders to reduce losses and provide for safer emergency and non-emergency operations. Several years ago, we surveyed our client base to learn the characteristics of organizations which continually had fewer losses. The study took into consideration the size and scope of operations for each department. We learned at that time that departments with trained safety officers fared much better and as a result began a program of safety officer training programs throughout the state. This very successful program continues today. It has provided dozens of trained and watchful safety officers who provide services which have been greatly beneficial to our policyholders.

In 2007, it was decided to take a more aggressive approach to loss reductions by actually providing firefighter accident reduction studies for individual policyholders whose loss history indicated that they may require assistance. The provision of such studies at FDM’s cost has saved our policyholders thousands of dollars while having a positive impact on claims.

Since these studies began cumulative loss ratios for the accounts in the study program have plummeted by more than half. Although these losses are still developing, this is still a good indication of program success.

Another positive feature is that the claim frequency has decreased. The aggregated average of the annual number of claims has been significantly reduced comparing the “before” period with the “after.”

We will continue to provide an assertive stance with regards to loss reduction efforts by providing an increased number of studies and training as well exploring new initiatives to best serve our policyholders.

We continue our commitment to our policyholders to provide courteous and fair claims service. We believe the quality of our claims service is second to none for Emergency Service Personnel in New York State. Our claims staff is familiar with the challenges faced by your members. They are easily accessible and stand ready to serve your members. We pride ourselves in the way we handle claims and everyone in the company recognizes our responsibility.

I would also like to express my appreciation to the agents and brokers who have placed their faith in FDM and to all of our colleagues in the office who take pride in their work and are committed to providing the finest service to our customers.

Finally, I would like to thank my fellow officers and Board of Directors for their dedication to the company. We will continue to meet future challenges and remain committed to providing the finest resource and services for VFBL and Workers Compensation Coverage for the Fire Departments of New York State.

Daniel F. McNeil, President
Fire Districts of New York Mutual Insurance Company, Inc.

Executive Committee



From Left: Michael H. Geoghan, Treasurer; Daniel F. McNeil, President; Lanny D. Strain, Executive Vice President and Chief Operating Officer (non-voting member); Frank A. Nocerino, Vice President; Kenneth E. Hoffarth, Secretary.



Message from the Executive Vice President and Chief Operating Officer

To Our Valued Policyholders,

Last year at this time, Fire Districts of New York Mutual Insurance Company (FDM) --- along with pretty much everyone else in the insurance industry, and the country- was commenting on what a dreadful year 2008 was. But, in

Lanny D. Strain, AU addition to enumerating the difficulties of 2008, we also made a prediction: that 2009 would be a good year for FDM. I am very pleased to report that we were right.

Marketing

Growth of FDM's top line was very satisfactory with written Premium increasing by 10.1% to a total of \$17.3 million. We added 19 new policyholders which contributed in large measure to our growth.

Underwriting / Results

FDM's bottom line growth was also very favorable. Operating income improved to \$823,500 and Policyholders' Surplus (the company's "net worth") increased by \$1,488,400 bringing our total Policyholders' Surplus to \$10,575,000, an all time high.

Reinsurance is FDM's largest single expense. Last year we anticipated a reduction in the rates we pay for reinsurance. Although modest, a first time ever decrease did occur reversing a long term upward trend in these rates.

While medical costs of firefighter injuries continue to increase at a rate that far exceeds overall inflation, this is being partially offset by a reduction in the overall number of reported injuries and a somewhat larger reduction in the more serious injuries involving lost time from work.

Everyone benefits from this reduction in injuries:

- The firefighters (and their families) whose injuries were avoided obviously benefit the most. While it is often impossible to identify who didn't get injured because of better attention to safety, it is gratifying to know that fewer firefighters are suffering the pain, the disruption to their lives or the ongoing disabilities that result from firefighter injuries.
- Fire departments benefit. Injuries deprive them of the injured firefighter's services. Also, departmental morale can suffer when serious injuries occur.
- Taxpayers will benefit because future premiums will be lower than would otherwise be the case.

Outlook

- We expect growth to continue at a modest rate for 2010.
- Because we believe that the reduction in frequency and severity of injuries is directly related to the Health & Safety Officer and Accident Reduction programs described in President McNeil's message, we continue to expand these programs.
- In 2010 we anticipate further savings in our reinsurance rates.

As a combined result of the factors described above, barring any extraordinary unfavorable events, we expect that 2010 will also be a good year.

I would like to thank President McNeil and the other Officers and Directors of FDM for their consistently excellent advice, counsel and direction. I would also like to take this opportunity to thank our fine staff. The dedication and professionalism of FDM's employees are indeed inspirational.

Respectfully submitted,

Lanny D. Strain
Executive Vice President &
Chief Operating Officer

Fire District Mutual's Board of Directors



Standing, from left: Lawrence A. Pierce, Joseph L. Cruger, Thomas E. Herlihy, Jr., Michael L. White, George J. Paul, D. Donald Greene, James J. McCormick, Craig P. DeBaun, John LoScalzo.

Seated, from left: Kenneth E. Hoffarth, Secretary; Daniel F. McNeil, President; Frank A. Nocerino, Vice President; Michael H. Geoghan, Treasurer

FIRE DISTRICTS NY GROUP
STATEMENT OF ASSETS, LIABILITIES AND SURPLUS
FOR THE PERIOD ENDED DECEMBER 31

Assets	<u>2009</u>	<u>2008</u>
Bonds	33,480,943	32,748,487
Common Stock	3,529,117	2,477,090
Superintendent of Insurance - Investment	1,324,044	309,772
Cash on Deposit	3,569,741	1,706,573
Short Term Investments	2,906,102	3,042,868
Total Invested Assets	<u>\$44,809,947</u>	<u>\$40,284,790</u>
Premiums Receivable	\$1,404,837	\$839,161
Interest and Dividends Due and Accrued	382,857	371,091
Reinsurance Recoverable	143,035	172,075
Other Assets	175,184	173,267
Total Assets	<u>\$46,915,860</u>	<u>\$41,840,383</u>
Liabilities		
Loss Reserves	\$22,355,425	\$20,540,457
Loss Adjustment Expense Reserve	6,728,836	5,788,611
Unearned Premium Reserve	3,805,382	3,514,749
Other Expenses	272,547	240,815
Taxes, License and Fees	1,407,992	1,223,762
Ceded Reinsurance Payable	712,460	665,337
Advanced Premiums Received	953,742	604,541
Other Liabilities	104,827	97,098
Total Liabilities	<u>\$36,341,211</u>	<u>\$32,675,370</u>
Capital and Surplus		
Unassigned Surplus	\$10,387,326	\$9,642,575
Special Contingent Surplus	300,000	300,000
Unrealized Gains and Losses	46,465	(602,790)
Non-admitted Assets	(159,142)	(174,771)
Total Capital and Surplus	<u>\$10,574,649</u>	<u>\$9,165,014</u>
Total Liabilities, Capital and Surplus	<u>\$46,915,860</u>	<u>\$41,840,383</u>

**FIRE DISTRICTS NY GROUP
INCOME STATEMENT
FOR THE PERIOD ENDED DECEMBER 31**

Underwriting Income/(Loss)	2009	2008
Direct Premiums Earned	\$17,037,353	\$15,519,277
Assumed Premiums Earned	0	0
Ceded Premiums Earned	(4,199,961)	(3,916,472)
Premiums Earned	\$12,837,392	\$11,602,805
Direct Losses Incurred	\$13,490,831	\$15,311,108
Assumed Losses Incurred	15,559	90,337
Ceded Losses Incurred	(5,264,107)	(6,606,757)
Loss Adjusting Expenses Incurred	2,659,701	2,212,986
Total Losses Incurred	\$10,901,984	\$11,007,675
Commissions and Brokerage	\$918,197	\$801,527
Other Underwriting Expenses	1,625,553	1,165,101
Total Underwriting Expenses	\$2,543,750	\$1,966,628
Net Underwriting Income (Loss)	(\$608,342)	(\$1,371,498)
Miscellaneous Income(Expense)	\$893	(\$7,921)
Investment Income		
Interest & Dividends Earned	\$1,692,660	\$1,757,380
Capital Gains and Losses	(140,299)	(254,765)
Investment Expenses	(200,161)	(182,325)
Net Investment Income	\$1,352,200	\$1,320,290
Net Income (Loss)	\$744,751	(\$59,129)

Commentary: The Company's experience for 2009 was a gain of \$744,800 as compared to a loss of \$59,129 for 2008. The earned premiums for 2009 increased 10.6% with incurred losses decreasing approximately 1% in for the year.

The underwriting expenses increased approximately 30% from the prior year. The increase was the result of increases in commission expense, and increases in assessments paid to the New York Compensation Insurance Rating Board and Department of Insurance.

During 2009, the Company's assets increased by \$5.1 million, the liabilities increased \$3.7 million and the surplus or net worth of the Company increased by \$1.4 million. The surplus increase was due in the amount of \$649 thousand.

Fire Districts NY Group consists of, and policies are underwritten by, Fire Districts of New York Mutual Insurance Co., Inc. and its subsidiaries FDM Preferred Insurance Co., Inc. and Fire Districts Insurance Co., Inc.

Financial Statements & Commentary prepared by: Peter Geraci - Controller

Executive Committee

Daniel F. McNeil
President

Frank A. Nocerino
Vice President

Michael H. Geoghan
Treasurer

Kenneth E. Hoffarth
Secretary

Lanny D. Strain, AU *
Executive Vice President
& Chief Operating Officer
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* Non-Voting Officer

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